



Alliance

June 12, 2023

Barbara Smith, Southeastern

Daniel Rabon, USACE

Washington Update
Federal Hydropower Council

Administration Personnel Highlights

DOE

- Jennifer Granholm: Secretary (S1)
- David Turk: Deputy Secretary (S2)
- **David Crane: (Under Secretary for Infrastructure (S3) Confirmed June 7, 2023. Former NRG utility executive.**
- Dr. Kathleen Hogan: Principal Under Secretary for Infrastructure



Army

- Mike Connor, ASACW
- Jaimee Pinkham, PASACW



USACE

- **MG William “Butch” Graham: Moving to Deputy Chief of Engineers and Deputy Commanding General (summer 2023?)**
- **MG David Hill: Incoming Deputy Commanding General for Civil and Emergency Operations**
- **Eddie Belk: Director of Civil Works (Al Lee retired earlier this year.)**



White House (Energy & Climate Policy & Regulation)

- John Podesta: Senior Advisor to the President for Clean Energy Innovation and Implementation
- Ali Zaidi: Assistant to the President & National Climate Advisor
- Brenda Mallory: Council on Environmental Quality (CEQ)
- Richard Revesz: Office of Information and Regulatory Affairs (OIRA)



Legislative & Other Ongoing Efforts:

- SEPA FY 2024 Appropriation Request and Oversight
 - Administrator Hobbs Testified May 23rd. Oversight Hearing House Natural Resources Subcommittee on Water, Wildlife and Oceans.
 - \$95M requests nets to \$0. PPW represents 91%; PD 9%.
 - Ongoing Congressional Budget Office scoring issue with PPW off-setting collections. FY 2023 enacted at request level; constrained FY 2018-FY 2022.
 - 3 QFRs from Rep. Carl (AL).
- Grid Resiliency, Transmission & Permitting Efforts likely to continue.
- SEPA Support for DOE Transmission Studies
 - Federal reimbursable work; no cost to customers.
- Unclear if there will be a Senate Energy & Natural Resource or House Energy & Commerce hearing with Federal hydropower focus (possible given BPA/PNW issues, supplemental funding; Western drought, SWPA revolving fund bill.)
- Water Resources Development Act of 2024
 - We understand drafting is already underway.
 - Reminders that WRDA 2022 directed GAO study on Corps treatment of joint costs. BPA/PNW - Willamette Valley hydropower disposition study.

Legislative & Other Ongoing Efforts:

- Status of Supplemental Funding (BIL/DRSAA) and Joint Cost Accounting Issue
 - Summary initial SEPA impact (January 2022):

Cumberland	\$217M	17%	
GA-AL-SC	\$78M	2.5%	Initial estimates reflected a total dollar impact of \$208M resulting in a 7% rate increase related to \$129M assigned to power for the Carters reregulation dam.
Kerr-Philpott	\$28M	7%	
Jim Woodruff	\$0M	0%	Initial estimates reflected a total dollar impact of \$11M resulting in a 10% rate increase related to included navigation costs. The updated dollar impact is now \$259K.
\$323M			

- Focus continues to be on administrative solutions and efforts underway through the FHC. However, we understand legal issues have stalled progress on recommendations put forward by a Corps-only steering committee related to the FHC working group.
- The pending GAO audit on the subject, authorized in WRDA 2022 and expected to begin later this year, could provide guidance and assistance for the Corps to move forward on the issue.

Federal Hydropower Council (FHC)

- Deputy Secretary Turk provided recorded remarks for the Sept. 22 meeting.
- Most Recent Meeting held April 19, 2023 (virtual)
- May 23 Joint PMA letter to ASACW.
- In-person meeting is planned for Aug/Sept. 2023. Will mark the 7-year anniversary of the effort.

	
Federal Hydropower Council MEETING AGENDA Virtual April 19, 2023 Start Time: 1:00 ET (length: 2 hours)	
DOE Attendees	USACE Attendees
Melissa Andia Advisor, Under Secretary for Infrastructure Department of Energy	MG Butch Graham Deputy Commanding General for Civil and Emergency Operations
Joel Cook Chief Operating Officer Bonneville Power Administration	Eddie Bell Director of Civil Works
Virgil Hobbs Administrator Southeastern Power Administration	Thomas Smith Chief, Operations & Regulatory
Mike Wach Administrator Southwestern Power Administration	TBD Commander Great Lakes & Ohio River Division
Lloyd Linker Regional Manager, Upper Great Plains Western Area Power Administration	TBD Commander Mississippi Valley Division
Barbara Smith National Relations Southeastern Power Administration	TBD Commander Northwestern Division
Southwestern Power Administration	TBD Commander South Atlantic Division
Interior Attendees	TBD Commander Southwestern Division
TBD US Bureau of Reclamation	Daniel Rabon Manager National Hydropower Program

3. USACE Updates (Daniel Rabon)
 - a. Supplemental Funding
 - b. Digital Transformation Case Studies
 - c. Joint Cost Accounting
 - d. Water Storage Reallocation
4. PMA Updates and Open Discussion (PMAs/All)
Potential Topics:
 - a. Force Protection/Targeting of Critical Grid Assets
 - b. Impact and Effect to Hydropower Rates from Rising Costs

Purpose

This is a biannual meeting where, the Power Marketing Administrations (PMAs), U.S. Army Corps of Engineers (USACE) and the U.S. Bureau of Reclamation (Reclamation) senior leaders discuss the current state of the federal hydropower program, and share ongoing and emerging issues related to Federal Hydropower and the following areas of interest:

- Acquisition and Delivery Process
- Joint Cost Allocation and Charging Practices
- Water Storage Reallocation and Crediting
- O&M Cost Reduction and Efficiencies
- Federal Hydropower Communications

FHC (Continued)

- May 23 Joint PMA letter to ASACW.
- In-person meeting is targeted for Aug/Sept. 2023.
- Will mark the 7-year anniversary of the effort.



May 23, 2023

The Honorable Michael L. Connor
Assistant Secretary of the Army for Civil Works
108 Army Pentagon
Washington, DC 20310-0108

Dear Honorable Connor,

The Federal Power Marketing Administrations (PMAs) value the close regional and national partnerships with the U.S. Army Corps of Engineers (USACE) which allow for the successes of the Federal hydropower program. The PMAs market and deliver wholesale USACE generated hydropower to not-for-profit electric utility customers who serve millions of homes and businesses in 33 service states. Carbon free Federal hydropower plays an important role in supporting economic development, energy affordability, emergency response, power reliability, and power resiliency, particularly as new renewable generation is introduced to the Nation's grid.

Current USACE policies and practices are impacting the economic viability of Federal hydropower and are leading to permanent reductions in generation capability. Improvements are needed to the USACE study and recommendation processes for proposed changes in water use and storage which often lead to reduced water availability for Federal hydropower generation. Improvements are also needed in USACE processes for direct and indirect cost assignment to hydropower which often result in higher PMA power rates negatively impacting our power customers.

In August of 2016, PMA Administrators and USACE Commanders launched the Federal Hydropower Council (FHC), established working groups, and initiated biennial meetings to collaborate on solutions to address increasingly uncompetitive Federal hydropower cost-based rates in national power markets. While the FHC has fostered closer relationships among leadership, the FHC has not led to substantive decision-making on these very significant issues, resulting in limited meaningful improvements.

USACE continues to raise legal and other authorization challenges as the reason we have not been able to make progress. The PMAs believe there is ample Congressional and other historical record to support improvements in coordinating operation of multipurpose projects, cost assignment, and hydropower data used in USACE deauthorization and water storage reallocation studies. The PMAs also stand ready to use our authorizations and expertise to provide USACE with analysis of the value of hydropower at these projects.


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As these hydropower issues are elevated to you for consideration, we ask the PMA leadership be included in discussions and communications to ensure balanced perspectives on interagency issues, their significance to energy policy and the impacts to the Nation. The PMAs sincerely appreciate the long-standing USACE partnerships and leadership of the FHC, including commendable efforts from multiple interagency working groups. We aim to continue to further strengthen our Federal relationships and evolve the FHC as an action-oriented decision-making leadership body.


We look forward to engaging in further dialogue to find a path forward on cost assignment and water availability issues given the urgency of PMA concerns. Without change in current USACE policy and processes, the significant rate impacts and diminished generation capability puts customer retention and grid stability at risk. Hydropower is one of the most important aspects of meeting the Administration's clean energy goals and we all need to assure it is sustainable and affordable.

National interest dictates the timely resolution of the challenges threatening the Federal hydropower program. We must lead the way together as senior leaders and decision-makers charged with the stewardship of this country's largest and most reliable renewable energy generation fleet. Please let us know when you might be available to meet on these important issues.

Sincerely,


John Hairston
Administrator and CEO
Bonneville Power Administration


Virgil G. Hobbs III
Administrator and CEO
Southeastern Power Administration


Mike Wech
Administrator and CEO
Southwestern Power Administration


Tracey LeBeau
Administrator and CEO
Western Area Power Administration

cc:

U.S. Army Corps of Engineers:
Major General Scott Spellmon, Chief of Engineers
Major General Butch Graham, Deputy Commander for Civil and Emergency Operations
U.S. Department of Energy:
David Turk, Deputy Secretary
Dr. Kathleen Hogan, Under Secretary for Infrastructure